

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF	)	
DELMARVA POWER & LIGHT COMPANY FOR	)	PSC DOCKET NO. 11-528
AN INCREASE IN ELECTRIC BASE RATES	)	
AND MISCELLANEOUS TARIFF CHANGES	)	
(FILED DECEMBER 2, 2011)	)	

DIRECT TESTIMONY OF  
GARY C. COHEN  
ON BEHALF OF  
COMMISSION STAFF

May 15, 2012

1 **Qualifications**

2 **Q. Please state your name, position and business address.**

3 **A.** My name is Gary Cohen. I am a President of GBC Consulting, LLC. My business  
4 address is 221 Hoyer Ct. Wilmington, Delaware 19803.

5 **Q. Please summarize your qualifications and experience.**

6 **A.** I am a former employee of Pepco Holdings Inc. (PHI)/ Delmarva Power/ Conectiv  
7 retiring in 2009 after over 35 years of service with the Company. I held several  
8 management positions during my employment that included Manager of Regulatory  
9 Affairs for Delaware & Virginia, Special Projects Manager, Revenue Management  
10 Director, Manager of Billing and Collections, Manager of the Call Center, and Manager  
11 of the Wilmington Business Office. After my retirement in 2009, I returned to PHI as a  
12 consultant supporting the Regulatory Affairs Department, Governmental Affairs  
13 Department and the Blue Print for the Future project. My main focus was on the  
14 Advance Metering Infrastructure (AMI) deployment and implementation. In 2010 I  
15 established my consulting company and currently provide consulting services to the  
16 Delaware Public Service Commission in the areas of AMI, decoupling, dynamic pricing  
17 and other customer related areas. My resume is attached (GC-1).

18 **Q. Have you previously participated or submitted testimony in regulatory**  
19 **proceedings?**

20 **A.** Yes. I have presented testimony or participated in regulatory proceedings before the  
21 following regulatory bodies:

**Delaware Public Service Commission**

- Submitted testimony in Docket No.00-108, the Commission's investigation into the Billing System
- Submitted testimony in Docket No. 03-378F, Delmarva's Gas Cost Rate case related to the Company's budget billing programs
- Represented Delmarva Power in Docket 02-231 related to the Company's customer service performance
- -Represented Delmarva Power in Docket 06-168 related to the establishment of Customer Service Benchmarks
- Represented Delmarva Power on Competitive Billing and Competitive Metering Working Groups
- Represented Delmarva Power on Decoupling and Dynamic Pricing Working Groups

**Maryland Public Service Commission**

- Represented Delmarva Power on the Universal Service Program Working Group
- Represented Delmarva Power on Competitive Billing and Competitive Metering Working Groups

**New Jersey Board of Public Utilities**

- Represented Conectiv on the Universal Service Fund program Working Group
- Represented Conectiv on the Competitive Billing and Competitive Metering Working Groups

**Virginia State Corporation Commission**

- Represented Delmarva Power on the Competitive Billing and Competitive Meter Working Groups

**Direct Testimony**

**Q. For whom are you appearing in this proceeding?**

**A.** I am appearing on behalf of the Staff of the Delaware Public Service Commission (“Staff”).

**Q. What is the purpose of your testimony?**

**A.** My testimony focuses on aspects of AMI deployment and associated benefits addressed by various Delmarva witnesses and, in particular, the cost recovery proposal submitted by Company witness Ziminsky. I will also address AMI related tariff changes. Based on my review of the Company’s application and supporting testimony and the Company’s responses to data requests, I have reached the following conclusions:

- While the Company has substantially completed installation of the AMI meters and communication system for electric customers in Delaware, many of the benefits associated with the technology as filed in the Company’ Advance Metering Business Case (GC-2) filed on August 29, 2007 have not yet been realized.
- The Company is premature in proposing a rate recovery phase- in. Recovery discussions should be postponed until the various customer benefits are realized, in

place and operating over a substantial period of time, so they can be properly audited  
and evaluated by Staff.

**Q. Please summarize the Company's filing?**

A. On December 2, 2011, the Company filed for an increase in base rates of \$31,760,741 or a 18.9 % increase over existing distribution revenues. If approved this would result in a rate increase of \$7.27 per month for the typical residential customer who averages 1,000 kilowatt hours a month. The typical bill would increase from \$144.48 to \$151.75 a month. The Company is also seeking approval of several alternate regulatory mechanisms and approval of a phased in recovery plan for the installation of the AMI meters approved in Order No. 7420.<sup>1</sup>

**Q. What have you reviewed in the preparation of your testimony?**

A. Among other things, I have reviewed the Company's testimony, supporting exhibits and work papers, and responses to data requests in this case, Docket No. 11-528. I have also reviewed previous Commission orders, and documents from the last base rate case, Docket No. 09-414, and the original Blueprint filing in Docket No. 07-28 and have participated in the quarterly AMI update meetings held by the Company.

**Q. Please describe the AMI costs included in this filing.**

A. The Company presents two sets of AMI costs in this filing; (1) Costs included in the filing as part of the requested \$31 million increase; and (2) A second set of AMI costs not

---

<sup>1</sup> Application, Briefing Sheet and Summary of Application page 4.

1 included in the current requested revenue increase, but discussed in terms of future  
2 recovery.

3 Regarding the first set of AMI costs the Company seeks to increase the AMI plant in  
4 service costs to \$72.04 million, which is a \$2.3 million increase over the costs included in  
5 the previous rate case Docket No. 09-414.<sup>2</sup> According to Company witness Ziminsky,  
6 this increase is offset by a \$2.3 million reduction in meter reading costs compared to the  
7 previous rate case.<sup>3</sup> According to witness Gausman, the plant in service costs of \$72.04  
8 million are consistent with the Company's forecasted AMI costs as presented in its  
9 August 2007 AMI Business Case at Page 8 at \$73.5 million.<sup>4</sup> This is supported by the  
10 AMI business case.

11 The Company has also included \$571,379 a year as part of the AMI Regulatory Asset in  
12 Rate Base #16.<sup>5</sup> According to a data request response from the Company, "the AMI  
13 Regulatory Asset reflected on RB#16 represents the deferred O&M costs approved in  
14 Docket No. 09-414 (15 year amortization of \$1.047 million incurred through July  
15 2009)."<sup>6</sup> I take no position on this first set of AMI costs included in the Company's \$31  
16 million requested revenue increase.

17 The second set of AMI costs are not included in the requested increase, but future  
18 recovery plans are proposed as part of this case. These costs include \$39 million in AMI-  
19 related regulatory assets currently being tracked by the Company. According to  
20 Company witness Ziminsky, this includes:

---

<sup>2</sup> Delmarva Direct Testimony of Jay C. Ziminsky, page 14, lines 11-21.

<sup>3</sup> Delmarva Direct Testimony of Jay C. Ziminsky, page 14, lines 22-23 and page 15, lines 1-3.

<sup>4</sup> Delmarva Direct Testimony of William M Gausman, page 15, lines 4-7.

<sup>5</sup> Schedule RB #16.

<sup>6</sup> Delmarva's Response to Data Request PSC-GEN-58.

- 1                   •   \$25.8 million- the net book value of the meters retired early due to the
- 2                           AMI deployment.
- 3                   •   \$11.1 million in deferred operating and maintenance costs from August
- 4                           2009 through the end of the test period, December 2011.
- 5                   •   \$3.1 million in returns recovering the costs “associated with the AMI
- 6                           regulatory assets as well as AMI incremental net rate base (AMI meters
- 7                           net of non-AMI meters, communication equipment, software, and
- 8                           hardware.”
- 9                   •   \$0.6 million in incremental depreciation expense of the AMI meters.
- 10                  •   \$1.6 reduction in O&M expenses.<sup>7</sup>

11   **Q.   What are the major benefits and associated cost savings as indicated by the**  
12           **Company’s Advanced Metering Business Case anticipated to be realized by**  
13           **Delmarva Power’s Delaware customers?**

14   **A.**   The major benefits as filed in the AMI Business Case in Docket 07-28 include cost  
15           reductions for the Company and cost savings for customers in the form of reduced energy  
16           costs associated with dynamic pricing rate designs and direct load control programs.  
17           The major benefits representing cost reductions for the Company are indicated in the  
18           following chart (Figure 4) filed by the Company in Docket No. 07-28:

---

<sup>7</sup> Delmarva Direct Testimony of Jay C. Ziminsky, page 15, line 11 through page17, line 9.

Direct Testimony and Exhibits of  
Gary Cohen

Line	Benefit Category	In Projected 2008 Dollars			Benefit Dollars as a % of Total		
		Delmarva DE-Elec	Delmarva DE-Gas	Delmarva Combined	Delmarva DE-Elec	Delmarva DE-Gas	Delmarva Combined
1	Eliminate Manual Meter Reading Costs	\$ 3,564	\$ 1,157	\$ 4,721	55.3%	77.8%	59.5%
2	Implement Remote Turn-on/Turn-off Functionality	\$ 1,592	\$ -	\$ 1,592	24.7%	0.0%	20.1%
3	Improve Billing Activities	\$ 484	\$ 186	\$ 670	7.5%	12.5%	8.4%
4	Reduce Off-Cycle Meter Reading Labor Costs	\$ 372	\$ 57	\$ 429	5.8%	3.8%	5.4%
5	Asset Optimization	\$ 219	\$ -	\$ 219	3.4%	0.0%	2.8%
6	Reduce Expenses Related to Theft of Service	\$ 88	\$ 36	\$ 124	1.4%	2.4%	1.6%
7	Eliminate Hardware, Software, Maintenance and Operations Cost	\$ 75	\$ 30	\$ 105	1.2%	2.0%	1.3%
8	Reduce Volume of Customer Calls Related to Metering	\$ 29	\$ 12	\$ 41	0.4%	0.8%	0.5%
9	Reduced Complaint Handling	\$ 24	\$ 10	\$ 34	0.4%	0.7%	0.4%
10	Total	\$ 6,447	\$ 1,488	\$ 7,935	100.0%	100.0%	100.0%

Figure 4 (In \$ millions)<sup>8</sup>

**Q. What is the status of the dynamic pricing rate design?**

**A.** Customers are not yet reaping the benefits of a dynamic pricing rate design. On August 4, 2009, the Company filed an application (Docket No. 09-311) to implement a dynamic pricing critical peak rebate program in several phases. A series of workshops were held and the parties reached a settlement that was approved by the Commission in Order 8105. The order approved the implementation of a dynamic pricing critical peak rebate program in phases. In the first phase, 6,904 residential customers will be given the opportunity to participate in the program starting in June 2012. In June 2013, the program will be opened to the remaining residential customers and 239 small and medium commercial customers will be asked to participate. In 2014, all non-residential customers will be eligible to participate in the program.

Assessment workshops will be held in the fall of 2012 to evaluate the pilot program and make any changes or improvements prior to full implementation of the program. This

<sup>8</sup> Docket 07-28, Advanced Metering Business Case Including Demand Side Management Benefits Report filed August 29, 2007, page 10.



1 will include further discussions regarding whether the program should be opt-in or opt-  
2 out and examination of the interaction of the program with the PJM markets.<sup>9</sup>

3 **Q. What is the status of the direct load control program?**

4 **A.** The program has not been approved. The Company filed an application (Docket 11-330)  
5 for a residential air conditioning cycling program on July 29, 2011. A series of  
6 workshops and conference calls have been held to discuss the specifics of the program  
7 including program rules, incentives, costs of the program, and cost recovery of the  
8 program costs. The proceeding has not been concluded.

9 **Q. Has the Company provided a detailed explanation of the cost reduction benefits that**  
10 **will be gained from full deployment of AMI metering?**

11 **A.** Yes. As part of Docket 07-28, the investigation into the implementation of AMI  
12 metering, the Company filed the Advanced Metering Business Case Including Demand  
13 Side Management Benefits Report for Delaware Before the Delaware Public Service  
14 Commission on August 29, 2007. The report included an explanation of each benefit as  
15 well as the expected annual cost savings for each benefit.

16 **Q. Please explain the benefits associated with the elimination of manual meter reading.**

17 **A.** The Company indicated that they would eliminate all meter reading and supervisory  
18 positions associated with manual meter readings because the AMI technology will allow  
19 the Company to receive readings automatically via the AMI communication network

---

<sup>9</sup> PSC Docket No. 09-311, Order No. 8105.

1 system. When the installation is complete the occurrences of estimated bills should be  
2 significantly reduced.

3 **Q. Has the Company achieved the benefits and cost savings associated with eliminating**  
4 **manual meter reading costs?**

5 **A.** No, the Company has not yet achieved the full cost savings. According to Company  
6 witness Gausman as of October 31, 2011, 99% of the AMI installations are complete with  
7 95% of the meters delivering benefits.<sup>10</sup> This means that the Company is still completing  
8 the installation of the meters for the last one percent of customers and that the meters  
9 have not been activated for five percent of customers. Company witness Ziminsky  
10 indicates that the electric meter reading expense was reduced from \$4.7 million as filed in  
11 Docket 09-414 to \$2.4 million filed for the test period in this case.<sup>11</sup> This difference  
12 results in a \$2.3 million reduction in the proposed revenue requirement. In the business  
13 case, the Company projected an annualized cost reduction of \$3.564 million due to  
14 elimination of manual meter reading.<sup>12</sup> The Company will continue to have a need to  
15 read some meters manually until 100% implementation is achieved and will only realize  
16 the full cost savings when all meters have been read electronically for a full year.

17 **Q. Please explain the benefits associated with implementing remote turn-on/turn-off**  
18 **functionality?**

19 **A.** The AMI meters are equipped to receive a signal from the Company that will permit  
20 them to remotely connect and disconnect customers with 200 AMP and less service. The

---

<sup>10</sup> Delmarva Direct Testimony of William M. Gausman, page 10, lines 10-11.

<sup>11</sup> Delmarva Direct Testimony of Jay C. Ziminsky, page 14, line 20 through page 15, line 3.

<sup>12</sup> Docket 07-28, Advanced Metering Business Case Including Demand Side Management Benefits Report for Delaware before the Delaware Public Service Commission, filed August 29, 2007, page 10.

1 vast majority of residential customers and some small commercial customers fall in this  
2 category. This functionality will allow the Company to avoid the cost of sending a  
3 service person and service truck to the customer's home or business when the customer  
4 request service to be turned on or turned off. Savings will also be achieved when the  
5 Company can turn customer's service on and off remotely due to credit and collection  
6 reasons. The reduction of field visits will reduce staffing needs associated with these  
7 functions.

8 **Q. Has the Company achieved the benefits and cost savings associated with**  
9 **implementing remote turn-on/turn-off functionality?**

10 **A.** No. The Company projected it would realize an annual savings of \$1.592 million by  
11 implementing the remote turn-on/turn off functionality; however this functionality has  
12 not yet been activated. The Company indicates the functionality will not be available  
13 until the third quarter of 2012.<sup>13</sup>

14 **Q. Is the Company required to take any additional actions to gain the full benefit of**  
15 **implementing the remote turn-on/turn-off functionality?**

16 **A.** Yes. At a meeting with Staff in June 2011 to discuss required tariff changes due to the  
17 deployment of AMI meters, the Company and Staff agreed the Company would need to  
18 file changes to Regulation 53. The current rules require the Company to attempt to  
19 contact customers at their premises prior to disconnection for non-payment. At the last  
20 Quarterly AMI Update meeting held on February 12, 2012, the Company presented draft  
21 changes and advised Staff a filing to open a Regulation Docket would be made within the

---

<sup>13</sup> Delmarva Direct Testimony of William M. Gausman, page17, lines 10-11.

1 next few weeks. As of today, no filing has been made and it will take several months to  
2 complete a Regulation Docket.

3 **Q. Please explain the benefits associated with improvements in billing activities?**

4 **A.** In the business case for AMI, the Company identifies these improvements as a reduction  
5 in staffing due to fewer billing exception transactions. Exceptions would include  
6 estimated bills, consecutive estimations, consumption that is too high or too low and  
7 other checks.

8 **Q. Has the Company achieved the benefits and cost savings associated with**  
9 **improvements in billing activities?**

10 **A.** In the business case, the Company projected an annualized savings of \$484,000  
11 associated with improved billing activities. The Company has not indicated a staffing  
12 reduction in the Billing Department due to the deployment of AMI.

13 **Q. Please explain the benefits associated with a reduction in off-cycle meter reading**  
14 **labor costs?**

15 **A.** The ability to read the AMI meters remotely allows the Company to avoid a field trip  
16 when reading a meter outside of a normally scheduled reading. These off-cycle meter  
17 readings typically occur when a customer requests a reading, possibly to dispute a bill or  
18 to verify a reading after a new party has moved into a premise.

1 **Q. Has the Company achieved the benefits and cost savings associated with a reduction**  
2 **in off-cycle meter reading labor costs?**

3 **A.** No. The Company projected an annualized savings of \$372,000 associated with the  
4 reduction of off-cycle meter reading labor costs. The Company has only identified in  
5 Company witness Ziminsky's testimony of a meter reading cost in this test period of \$2.3  
6 million, there was no specific amount attributed to a reduction in off cycle readings,  
7 however since all AMI meters have not been active for a full year, it can be assumed that  
8 the Company has not yet achieved the full annual savings projected in the business case

9 **Q. Please explain the benefits associated with asset optimization?**

10 **A.** The Company describes this as improvements in field restoration efforts associated with  
11 "false" power outages. During storms, the Company will be able to reduce unproductive  
12 or unnecessary trips to customer premises because the new technology will be able to  
13 identify customers that have been restored. The technology will also reduce the number  
14 of customer calls because of the improved and more efficient system.

15 **Q. Has the Company achieved the benefits and cost savings associated with asset**  
16 **optimization?**

17 **A.** No. The Company projects an annualized savings of \$219,000 due to asset optimization.  
18 In his testimony, Company witness Gausman describes the benefits of AMI that were  
19 realized during the Hurricane Irene event, which occurred between August 29 and  
20 September 1, 2011. In his data response, Gausman indicates "although the AMI system  
21 was not fully installed when Hurricane Irene struck the service territory, a significant

1 number of outage events, about 582 or 30 percent were cancelled as a result of remotely  
2 verifying (or pinging).”<sup>14</sup> The Company did not identify a reduction of overall duration  
3 of outages or a reduction of costs during the outage due to the AMI technology. In  
4 addition there is not any indication in this filing of any reduction in field manpower or  
5 call center staffing due to the technology.

6 **Q. Please explain the benefits associated with a reduction in the expenses associated**  
7 **with theft of service?**

8 **A.** The Company utilizes an outside firm to analyze commercial account data to provide  
9 their field investigators with accounts that may be experiencing tampering, energy  
10 diversions or some sort of metering problem. The cost savings would be associated with  
11 the elimination of the need for the services performed by the firm.

12 **Q. Has the Company achieved the benefits and cost savings associated with a reduction**  
13 **in the expenses associated with theft of service?**

14 **A.** No. In the business case, the Company projected an annualized savings of \$88,000 due  
15 to the elimination of the outside firm it utilizes to provide internal investigators with  
16 selected accounts that may be experiencing tampering, diversion or meter problems. The  
17 company has not indicated in this filing that they have eliminated the use of this outside  
18 firm.

---

<sup>14</sup> Delmarva’s Response to Data Request PSC-GEN-4.

1 **Q. Please explain the benefits associated with a reduction in the expenses associated**  
2 **with the elimination of hardware, software, maintenance and operations costs?**

3 **A.** The Company pays maintenance fees on its existing hand held meter reading devices and  
4 employs two employees to operate and maintain the devices and associated data.

5 **Q. Has the Company achieved the benefits and cost savings associated with the**  
6 **elimination of hardware, software, maintenance and operations costs?**

7 **A.** The Company has achieved some of the benefits. The Company projected an annualized  
8 savings of \$75,000 due to elimination of hardware, software and operations cost due to  
9 the AMI system. Company witness Ziminsky indicates in his testimony the elimination  
10 of the costs associated with the hand held devices utilized to read meters manually. He  
11 did not address the elimination of the cost of the personnel used to support this function.

12 **Q. Please explain the benefits associate with the reduction of calls related to metering?**

13 **A.** The Company projects that they will receive fewer phone calls from customers related to  
14 metering because of the AMI technology and therefore be able to reduce staffing  
15 associated with that function.

16 **Q. Has the Company achieved the benefits and cost savings associated with a reduction**  
17 **in the volume of customer calls related to metering?**

18 **A.** The Company projected an annualized savings of \$29,000 associated with a reduction of  
19 customer calls related to metering. This savings is not separately identified in the filing.

1    **Q.    Please explain the benefits of reduced complaint handling.**

2    **A.**    The Company anticipates that data from the AMI meters will, over time, reduce the  
3           number of complaints they receive from customers.

4    **Q.    Has the Company achieved the benefits and cost savings associated with a reduction**  
5           **in complaint handling costs?**

6    **A.**    The Company projected an annualized savings of \$24,000 in reduced complaint handling.  
7           This savings is not separately identified in this filing.

8    **Q.    Are all customers being billed using the interval data from the new AMI meters?**

9    **A.**    Not yet. According to Company witness Gausman, as of October 31, 2011, 99% of the  
10           AMI installations are complete with 95% of the meters delivering benefits. That means  
11           that not all customers are being billed using the interval data from the AMI meters. The  
12           customers who are part of the one percent who have not yet had AMI meters installed are  
13           still receiving monthly readings from the non-AMI meters. They do not yet have access  
14           to the more granular hourly meter data provided by the AMI meters.

15   **Q.    Does the current status of the AMI meter installation and billing project support**  
16           **moving to a decoupled rate at this time?**

17   **A.**    Not yet. Staff believes that an additional billing functionality should be in place prior to  
18           the implementation of a decoupled rate. According to witness Santacecilia, the rate  
19           structure of the decoupled rate would include a customer charge and a distribution  
20           demand charge (DDC) based on the transmission peak load capacity (PLC). According



1 to discovery and discussions with the Company, the transmission PLC is based on a class  
2 average for customers who do not have interval data available. Staff believes that  
3 customers PLC should be based on their customer specific data to allow customers the  
4 opportunity to get the full dollar savings from any cost reduction efforts they may have  
5 undertaken..

6 **Q. Can you summarize the proposed ratemaking concept related to the phased – in**  
7 **recovery of cost described in Company witness Kamerick’s testimony and more**  
8 **specifically described in Company witness Ziminsky’s testimony?**

9 **A.** The Company proposes the recovery of its AMI-related regulatory assets should be  
10 linked to the achievement of several key upcoming milestones related to the  
11 achievement of utility operational savings as well as the ability of customers to  
12 participate in programs to lower the energy supply portion of their bills. The milestones  
13 proposed by the company are to implement the remote turn on/ turn off functionality and  
14 the launch of pilot program for of Dynamic Pricing by December 2012 and to launch the  
15 Dynamic Pricing to all residential customers and to implement the Direct Load Control  
16 program by December 2013. The company would include an additional \$2.8 million in  
17 base rates if both of the December 2012 milestones are met and then a year later another  
18 \$2.8 million included in base rates if the second set of milestones are met by December  
19 2013. They propose including these increases in base rates upon Commission approval  
20 without the necessity of being included in a future base rate proceeding.<sup>15</sup>

---

<sup>15</sup> Delmarva Direct Testimony of Jay C. Ziminsky, page 18, line 6 through page 19, line 12.

1   **Q.    Do you agree with this ratemaking proposal?**

2   **A.    No this type of approach was not contemplated when the parties reached agreement.**

3           Order No. 7420 stated:

4                   “The Commission approves the diffusion of the advanced metering technology  
5                   into the electric and natural gas distribution system networks and the Commission  
6                   permits Delmarva to establish a regulatory asset to cover recovery of and on the  
7                   appropriate operating costs associated with the deployment of Advanced Metering  
8                   Infrastructure and demand response equipment. The Commission, Staff, and  
9                   other parties remain free to challenge the level or any other aspects of the asset’s  
10                  recovery in rates when Delmarva seeks recovery of the regulatory asset in base  
11                  rates.”<sup>16</sup>

12               Any process that would minimize or compress the effort to evaluate the functionality, rate  
13               design and programs associated with the AMI technology has the potential to short  
14               change customers. With any new technology some level of track record should be  
15               established and fully vetted in the context of a base rate proceeding

16   **Q.    Do you believe any level of cost recovery associate with the \$39 million in AMI-**  
17   **related regulatory assets should be allowed in this case?**

18   **A.    No.** While the vast majority of the customers have an AMI electric meter on their  
19               premises, some have only had them for a matter of months and have derived very little  
20               benefit from the technology thus far. Most electric customers, as indicated by Company  
21               reporting, received timely and accurate bills prior to the deployment of AMI and continue  
22               to do so after the deployment. While it is true that more granular information on both the  
23               customer’s bills and the “My Account” website is available with regard to energy usage  
24               there is no indication that the customer’s can take much practical advantage of the

---

<sup>16</sup> Docket 09-414, Opinion and Order No. 7420, page 5-6.

1 technology until the dynamic pricing and direct load control programs are fully  
2 operational. In addition, the regulatory asset has only recorded an O&M savings of \$1.6  
3 million compared to the projected savings of \$6.4 million.<sup>17</sup> It would be premature to  
4 allow rate recovery for the AMI technology at this early stage prior to customer benefits.  
5 It also would be inconsistent with the matching principle of accounting to allow the  
6 Company to begin recovery of the AMI technology before customers have realized the  
7 benefits detailed in the Company's Business Case.

8 **Q. The Company also submitted AMI related tariff changes. Do you have any**  
9 **comments on the tariff changes?**

10 **A.** Yes. I have reviewed the AMI related tariff changes proposed by the Company and most  
11 of the changes are acceptable to staff, with the exception of one change on Second  
12 Revised Leaf No. 34. The tariff as modified by the Company states:

13 "C. Final Bill

14 The final bill for service shall be based on an actual meter usage data and is due  
15 and payable when rendered. If the meter must be read manually and the  
16 Company is unable to gain access to the premise, the final bill will be based on an  
17 estimate as described with the policy on file."

18 Staff believes the proposed language is misleading to customers. The proposed language  
19 suggests the Company must attempt a manual meter reading prior to estimating the final  
20 meter read. Based on discussions with the company at the Quarterly AMI update  
21 meetings regarding the new estimation procedures that will be filed with the  
22 Commission, Staff does not believe that is the Company's intent. If the Company is not  
23 going to attempt a manual reading, the tariff should be modified to reflect that the bill  
24 will be estimated if the Company is unable to obtain actual meter usage data.

---

<sup>17</sup> Delmarva Direct Testimony of Jay C. Ziminsky, page 16, line 6.

1    **Q.**    **Does this conclude your testimony?**

2    **A.**    Yes it does.

3